

Message Text

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ACTION EUR-12

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TO SECSTATE WASHDC 909

AMEMBASSY BONN

INFO AMCONSUL MUNICH

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E.O. 11652: N/A

TAGS: WB, ECON, LAB

SUBJECT: PLANS TO REDUCE US FIRMS BERLIN OPERATIONS

SHAKES CONFIDENCE

1. SUMMARY: DECISIONS ANNOUNCED IN PAST WEEK BY NCR TO CUT BACK BERLIN OPERATIONS AND BY PITNEY BOWEN TO MOVE BERLIN OPERATIONS TO FRG HAVE CAUSED CONCERN IN SOME CIRCLES THAT US FIRMS NO LONGER HAVE FAITH IN BERLIN'S FUTURE. NEW SENATOR FOR ECONOMICS LUEDER HAS PUBLICLY REJECTED POLITICAL INTERPRETATION, BUT HEAD OF SENAT CHANCELLERY IN APPEALING ON BEHALF GOVERNING MAYOR FOR US MISSION HELP IN SITUATION WAS SKEPTICAL THAT DECISIONS WERE BASED WHOLY ON ECONOMIC FACTORS. END SUMMARY.

2. MAY 13 DAILIES CARRIED REPORT BERLIN NATIONAL CASH REGISTER OPERATION WILL SHORTLY END PRODUCTION OF MECHANICAL CASH REGISTERS AND CONCENTRATE PRODUCTION OF NEW ELECTRONIC MODELS IN ITS AUGSBURG FACILITIES, WITH LOSS OF 600 OF 800 BERLIN JOBS. REPORT BASED ON NCR PRESS CONFERENCE WAS ACCOMPANIED BY INTERPRETATION ADVANCED BY IG METAL REP THAT REAL REASON FOR MOVE TO AUGSBURG WAS POLITICAL: US FIRM HAD NO FAITH IN DEPTH OF US COMMITMENT

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TO BERLIN BASED ON RECENT US PERFORMANCE IN SE ASIA.

3. SENAT HEAD OF CHANCERY HERZ CALLED ON POLAD DEC 14 ON INSTRUCTIONS OF GOVERNING MAYOR SCHUETZ TO ASK USBER TO INVESTIGATE REAL REASONS FOR REMOVAL TO AUGSBURG. HERZ ALLUDED DARKLY TO NON-ECONOMIC REASONS AND LEFT BEHIND TORTURED DOCUMENT OUTLINING NCR WORKS COUNCIL FRUSTRATION AT WHAT IT BELIEVED TO BE SUDDEN REVERSAL OF PLANS TO SET UP PRODUCTION OF ELECTRONIC CASH REGISTERS IN BERLIN.

4. AT SAME TIME HERZ MADE APPROACH TO MISSION ON BEHALF OF SCHUETZ, NEW FDP SENATOR FOR ECONOMICS LUEDER TOLD BUNDESTAG COMMITTEE FOR ECONOMY, WHICH WAS MEETING IN BERLIN, THAT HE REJECTED SUSPICION THAT REDUCTION OF US FIRM'S OPERATIONS WAS DUE TO DOUBTS ABOUT US BERLIN COMMITMENT. SUCH SPECULATION, LUEDER EMPHASIZED, WAS DAMAGING TO BEST INTERESTS OF BERLIN ECONOMY.

5. MISSION HAS DISCUSSED NCR DECISION ON CONFIDENTIAL BASIS WITH BERLIN TECHNICAL DIRECTOR HAUSER AND AUGSBURG MANAGEMENT REPRESENTATIVES POHL AND KEILWERTH WHO DENOUNCED POLITICAL INTERPRETATION AS "ABSURD" AND ADVANCED ECONOMIC ARGUMENTS AS SOLE BASIS FOR DECISION. INTER ALIA, WORLD MARKET FOR CASH REGISTERS AND SOME OTHER NCR PRODUCTS HAS DETERIORATED RAPIDLY IN RECENT MONTHS; AND

NCR MUST SWITCH TO ELECTRONIC PRODUCTION TO STAY ABREAST OF WORLD-WIDE TREND TO PHASE OUT MECHANICAL LINE. EMERGING OVER-CAPACITY IN AUGSBURG PLAN SHOULD BE UTILIZED. MOREOVER, AUGSBURG PLANT HAS TEN YEARS EXPERIENCE WITH ELECTRONICS, WILE ELECTRONIC WORK HAS SCARCELY STARTED IN BERLIN PLANT. FINALLY, ACCORDING TO POHL, LABOR-MATERIAL COSTS ARE REVERSED WITH SWITCH FROM MECHANICAL TO ELECTRONIC MODELS, AND FAR FEWER WORKERS ARE REQUIRED TO GET SAME PRODUCTION. THEREFORE PRODUCTION CAN BE STARTED IN AUGSBURG WITH SUBSTANTIALLY PRESENT WORK FORCE BY UTILIZING LABOR SLACK FROM FALL-OFF IN ORDERS FOR OTHER LINES.

6. POHL SAID PROJECT UNDER STUDY OVER A YEAR BUT DECISION ACCELERATED SINCE BUSINESS DETERIORATION IN APRIL. US MANAGEMENT INVOLVED IN DECISION, WHICH IS INTEGRATED INTO LONG-RANGE OVERALL NCR PLANNING.

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7. PITNEY-BOWES MANAGER BERLIN OPERATION CALLED LATE MAY 14 TO TELL US THAT STORY WOULD BREAK MAY 15 THAT BERLIN BRANCH WAS CONSIDERING SHIFT OF ALL OPERATIONS (300 JOBS) TO FRG PLANT. ANNOUNCEMENT RECEIVED WIDE COVERAGE IN MAY 15 PRESS.) AGAIN, REASONING ADDUCED IS PURELY ECONOMIC. RECENT BUSINESS SLIDE HAS LED TO EXCESS CAPACITY IN BOTH PLANTS; WITH CONSOLIDATION IN MORE EFFICIENT FRG PLANT INDICATED. WHILE NCR PLANS TO KEEP PAPER-ROLLING AND

REPAIR OPERATIONS IN BERLIN, PITNEY-BOWES IS CONSIDERING
REMOVAL OF ALL OPERATIONS TO FRG. UNIONS ARE EXPECTED TO
REACT HARD BECAUSE OF BERLIN JOB LOSS INVOLVED IN PROPOSAL.

8. BREAKING OF PITNEY-BOWES STORY ON HEELS OF NCR DECISION
WILL ADD TO APPEAL OF POLITICAL INTERPRETATION IN CITY WHERE
INSECURITY COMPLEX IS NEVER FAR FROM SURFACE, WHILE
THEESIS OF RETRENCHMENT OF AMERICAN INVOLVEMENT IN
INTERNATIONAL ARENA MAY NOT BE WIDELY ACCEPTED -- AND
THERE IS REAL CONCERN THAT CONTRIBUTING MOTIVATION FOR
DECISIONS IS TO BE CLOSER TO FRG CENTERS WHERE ACTION
AND SALES STRUCTURE IS CENTERED, LUEDER STATEMENT HAS
HELPED TO KEEP THIS SPECULATION IN BOUNDS. MISSION
REACTION IF QUESTIONED WILL STRESS UNDIMINISHED US
SUPPORT FOR BERLIN AND ALSO NOTE THAT IT IS
SIGNIFICANT THAT BOTH FIRMS ARE IN SAME BRANCH, HARD
HIT BY CURRENT BUSINESS DOWNTURN. THERE REMAIN SOME
100 OTHER AMERICAN FIRMS IN BERLIN TESTIFYING TO
CONTINUED AMERICAN BUSINESS CONFIDENCE IN BERLIN'S
FUTURE. (UNFORTUNATELY, FEW ARE AS IMPORTANT IN
EMPLOYMENT TERMS AS NCR AND PITNEY BOWES.)

9. HERZ FOLLOWED UP HIS VISIT RE NCR WITH
TELEPHONE CALL ON PITNEY BOWES, AND WE ANTICIPATE
FURTHER APPROACHES FROM SENAT AND, POSSIBLY, TRADE
UNIONS. MISSION IS IN CLOSE TOUCH WITH BOTH FIRMS SO
AS TO BE BETTER ARMED WITH FACTS AND WILL REPORT FURTHER,
INASMUCH AS APPEALS MIGHT ALSO BE MADE TO EMBASSY IN BONN.
WE WILL ALSO ATTEMPT TO IMPRESS ON US FIRMS IN
BERLIN NEED TO TAKE ACCOUNT OF PUBLIC RELATIONS IMPACT
IN TIMING OF SUCH ANNOUNCEMENTS AND DESIRABILITY OF
FOREWARNING BERLIN AUTHORITIES IN ORDER TO HELP
FORESTALL WRONG INTERPRETATIONS. SELIGMANN
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